



*Advanced Energy Products Corp.*

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18th NREL Industry Growth Forum

November 8, 2005

## **Growth Opportunity**

# **Energy Efficient Cooling & Heating Products**



# Merger

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## Advanced Energy Products

- Commercializing new energy efficient HVAC
- Strong pipeline of proprietary products
- Connections
  - Green market
  - DOE & California Energy Commission
  - Utility & other energy efficiency (EE) programs
  - LEED for Homes



# Merger

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## Des Champs Technologies

- Established commercial HVAC company

	<u>2005</u>	<u>2006</u>
Revenue:	\$29M	\$33M
EBITDA:	\$1.2M	\$3.2M

- Engineered & modular high efficiency products
- Leader in dry climate cooling technology
- Benefits from new products & cash infusion



# Combined Company

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- **Core Competency: Develop & Commercialize Energy Saving Cooling, Heating & IAQ Products**
  - Value-Add: Proprietary High Efficiency Heat Exchangers
- The grEEEn™ HVAC supplier
- Revenue growth **\$30M** (2005) to **\$150M** (2010)



# Current Commercial Product Lines

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## Energy Recovery Ventilators

- Transfer heat & cooling from exhaust air to ventilation air
- 85% energy recovery

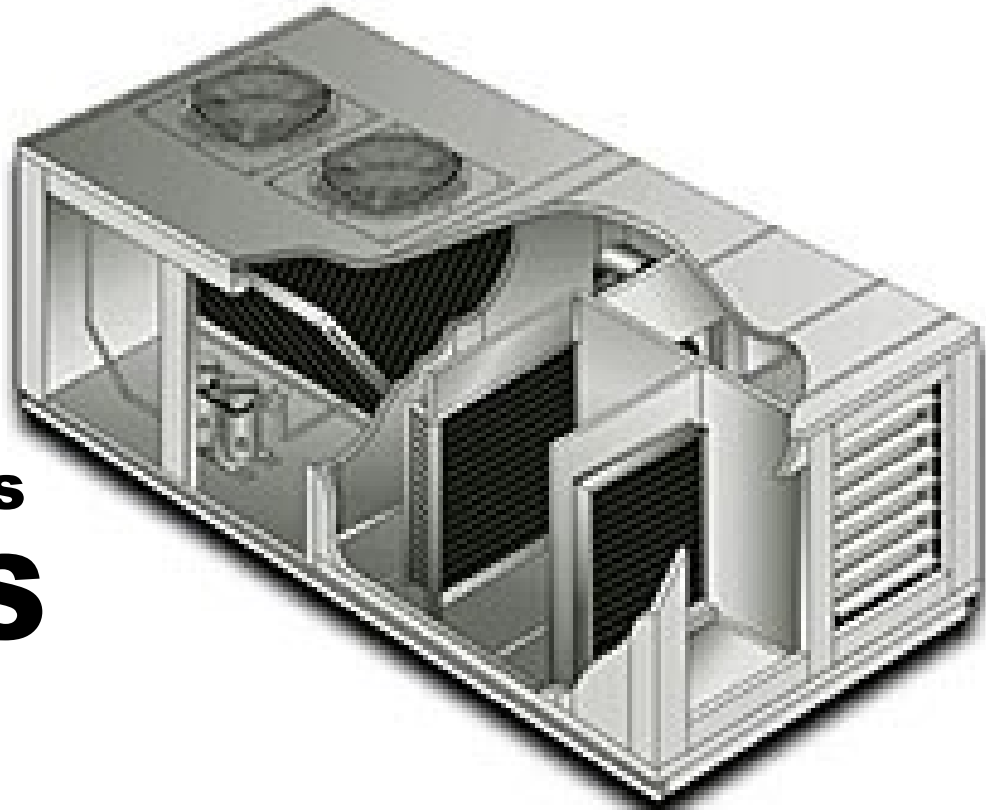
## Indoor Air Quality Products

- Dehumidify & condition ventilation air
- *Improve IAQ*
- 75% current revenue
- Fastest growing HVAC segment



# Modular Outside Air Conditioning Systems (MOACS)

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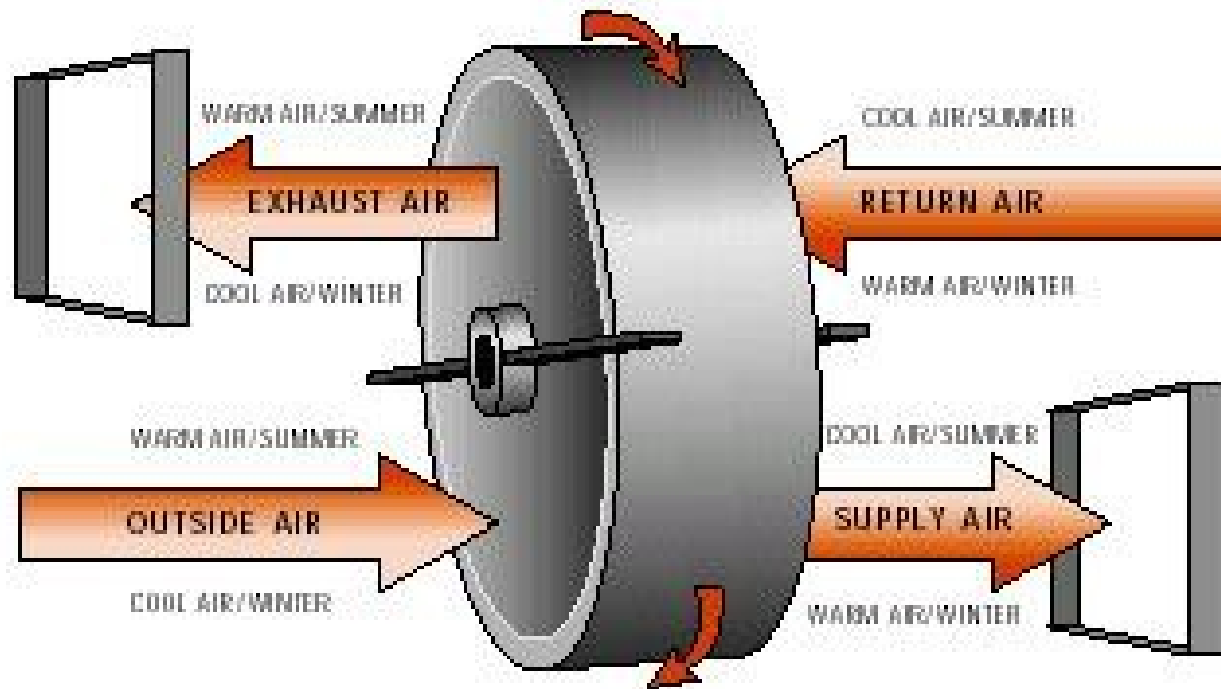
**Des Champs**  
**MOACS**



Des Champs

# Rotary Heat Exchanger

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# Existing Commercial Product Lines

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## Heat Exchangers - OEM, Commercial & Industrial

- Rotary heat exchangers
- Heat pipes
- Plate heat exchangers

## Electronic Cooling Products

## PROPRIETARY TECHNOLOGY





# New Product Lines

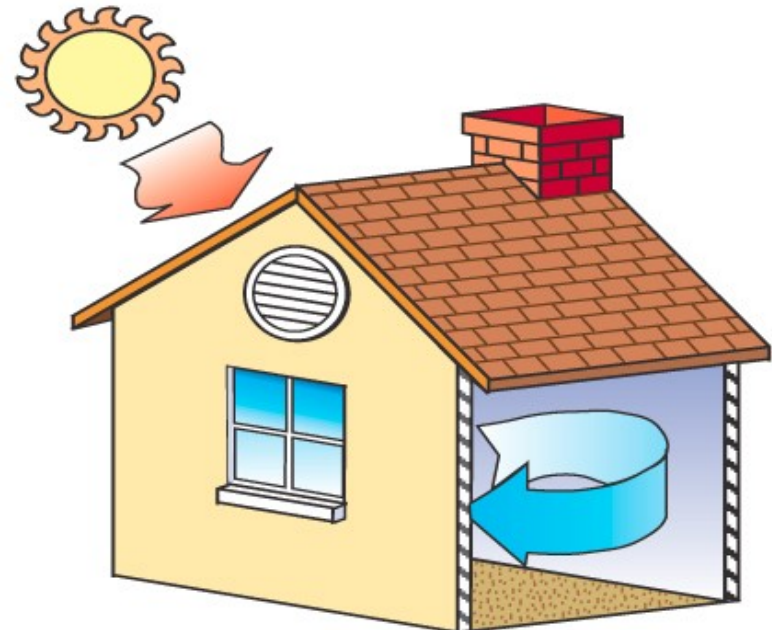
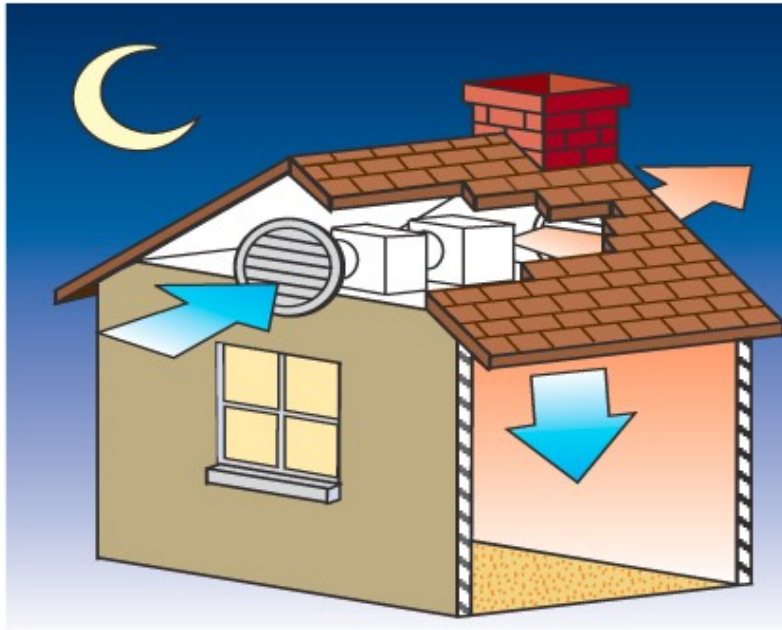
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## Residential Ventilation - Residential/Small Commercial

- Automatically ventilates with filtered outdoor air
- Pre-cools with night air
- Better IAQ and up to 60% energy savings
- \$2,850/unit, \$750/unit incentive
- Starbucks demonstration



# NightBreeze



*60% Energy Savings ♦ 15 Pre-production units in place ♦  
Monitoring 4 units for DOE & SCE*



# NightBreeze

## Features & Benefits

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- Automatic
- Safe - no open windows
- Quiet - no street noise
- Comfortable: no over-cooling
- Filtered air
- Cost Effective



# New Product Lines

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- Solar Water Heaters - Residential
  - Low cost domestic hot water
  - Cut hot water heater energy use in half
- Rooftop Units - Commercial
  - 10 to 30 tons



# HyPak

## High Efficiency Packaged RTU

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- *50% Energy Savings*
- *To 100% Outdoor Air*
- *Monitoring prototype for SMUD*





# Competition

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## Engineered Systems

- Venmar Ventilation, Inc.
- Engineered Air
- Annex air

## Major HVAC Companies

- AAON Inc.
- Carrier Corp.
- McQuay International Inc.
- The Trane Co.
- York International Corp.

## Competitive Advantages

- Value
- R&D and IP
- Reputation - engineered products



# Product Benefits

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- Improved IAQ
- Points for LEED green building certification
- Utility incentives
- Energy savings of 30% to 80%
- Fast paybacks
- AEP products are DIFFERENTIATORS



# Market Drivers

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- Indoor air quality (IAQ)
- Peak demand
- Rising energy costs
- Increasing energy efficiency incentives
- Green Building





# Distribution Channels

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## Commercial & Industrial

- 100 independent rep firms in North America

## Residential

- Action Sales
  - Leading rep for innovative residential products
  - Track record for building markets

## California Marketing Office Planned

- Develop green market & utility connections
- Incentive & demonstrating programs



# Manufacturing

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- 260,000 s.f. leased production facility in Southwestern VA
- State-of-the-art equipment
  - Punch press, laser cutters, CAD-CAM links
  - Fabricate sheet metal cabinets and heat exchangers
  - Purchase other components



# Synergies

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- Increased sales - existing products
  - Leverage AEP relationships
    - Utility & other demonstration programs
    - Green building community
- Stronger dry climate (Western) presence
- Positioned in hi margin, fast growth segment of the HVAC industry
- Fill mutual management needs



# Synergies

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- Expanded R&D
  - Government funding
  - Davis Energy Group - R&D partner
    - 25 year leader in EE HVAC
- Product Pipeline
  - 3 new product lines ready for market Near Term
  - 30% - 60% energy savings
- **Rapid Growth**



# Senior Management

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## Mark Berman

- HVAC product development
- Strategic planning
- Business development
- MBA, 20 years energy & efficiency

## Nick Des Champs

- Ph.D. mechanical engineering
- Founded DCT in 1973
- 16 patents
- 1997 “Master Entrepreneur of the Year”

## Don Driscoll

- Treasury finance & IT
- CFO of DCT since 2003
- 8 years with DCT



# Financial Projections

	(Millions \$)					
	2005	2006	2007	2008	2009	2010
<b>Revenue</b>						
Current Product	\$29.1	\$32.6	\$36.8	\$42.3	\$48.7	\$ 56.0
New Product	-	.8	4.6	18.1	48.6	100.1
<b>Total</b>	<b>\$29.1</b>	<b>\$33.4</b>	<b>\$41.4</b>	<b>\$60.4</b>	<b>\$97.3</b>	<b>\$156.1</b>
<b>EBITDA</b>						
Current Product	\$ 1.2	\$ 3.2	\$ 3.7	\$ 4.3	\$ 4.9	\$ 5.6
New Product	-	(1.0)	(1.0)	2.8	8.1	20.8
<b>Total</b>	<b>\$ 1.2</b>	<b>\$ 2.2</b>	<b>\$ 2.7</b>	<b>\$ 7.1</b>	<b>\$13.0</b>	<b>\$26.4</b>



## Use of Proceeds

	(Millions)
Sales & Marketing	\$ 1.9
Product Development	\$ 1.9
Tooling & Equipment	\$ 2.2
Working Capital	\$ 1.0
Stock Purchase	\$ 3.0
Total	\$10.0



# Investor Benefits

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- Partnership
- Full participation
  - Deal structure
  - Board
  - Exit strategy
- Immediate positive cash flow
- Fast growth
- Exit @ 6 X to 10 X





Thank You!

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Mark Berman, President  
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